



Washington State Auditor's Office

Troy Kelley

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Financial Statements Audit Report

Whatcom County Fire Protection

District No. 21

(North Whatcom Fire and Rescue)

For the period January 1, 2012 through December 31, 2013

Published December 31, 2014

Report No. 1013381





Washington State Auditor Troy Kelley

December 31, 2014

Board of Commissioners
North Whatcom Fire and Rescue
Blaine, Washington

Report on Financial Statements

Please find attached our report on the North Whatcom Fire and Rescue's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**North Whatcom Fire and Rescue
Whatcom County
January 1, 2012 through December 31, 2013**

Board of Commissioners
North Whatcom Fire and Rescue
Blaine, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the North Whatcom Fire and Rescue, Whatcom County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 17, 2014.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 17, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

North Whatcom Fire and Rescue Whatcom County January 1, 2012 through December 31, 2013

Board of Commissioners
North Whatcom Fire and Rescue
Blaine, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the North Whatcom Fire and Rescue, Whatcom County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the North Whatcom Fire and Rescue has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the North Whatcom Fire and Rescue, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the North Whatcom Fire and Rescue, as of December 31,

2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

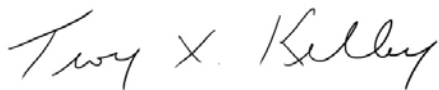
Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 17, 2014

FINANCIAL SECTION

**North Whatcom Fire and Rescue
Whatcom County
January 1, 2012 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
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Schedule of Liabilities – 2013
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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	021 Expense	221 G.O. Bond Fund	321 Capital Projects Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	1,860,495	8,690	457,079	1,394,726
30880	Beg Fund Bal-Unreserved	2,902,982	2,902,982	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	5,358,397	5,162,789	195,608	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	267,561	267,561	0	0
340	Charges for Goods and Services	1,790,634	1,790,634	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	52,705	45,129	1,681	5,895
Total Operating Revenues:		7,469,297	7,266,113	197,289	5,895
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	6,660,217	6,660,217	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		6,660,217	6,660,217		
Net Operating Increase (Decrease):		809,080	605,896	197,289	5,895
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	92,421	92,421	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	300,056	0	0	300,056
Total Nonoperating Revenues:		392,477	92,421		300,056
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	432,913	0	432,913	0
594-595	Capital Expenditures	166,292	0	0	166,292
597	Transfers-Out	300,056	300,056	0	0
Total Nonoperating Expenditures:		899,261	300,056	432,913	166,292
Increase (Decrease) in Cash and Investments		302,296	398,261	-235,624	139,659
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,774,782	18,942	221,455	1,534,385
50880	End Fund Balance-Unreserved	3,290,990	3,290,990	0	0

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	021 Expense	221 G.O. Bond Fund	321 Capital Projects Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,132,729	6,931	688,191	1,437,607
30880	Beg Fund Bal-Unreserved	2,431,528	2,431,528	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	5,467,074	5,270,566	196,508	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	330,832	321,002	0	9,830
340	Charges for Goods and Services	1,717,570	1,717,570	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	52,868	40,820	3,881	8,167
Total Operating Revenues:		7,568,344	7,349,958	200,389	17,997
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	6,924,300	6,924,300	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		6,924,300	6,924,300		
Net Operating Increase (Decrease):		644,044	425,658	200,389	17,997
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	172,556	47,556	0	125,000
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		172,556	47,556		125,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	431,501	0	431,501	0
594-595	Capital Expenditures	185,878	0	0	185,878
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		617,379		431,501	185,878
Increase (Decrease) in Cash and Investments		199,221	473,214	-231,112	-42,881
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,860,495	8,690	457,079	1,394,726
50880	End Fund Balance-Unreserved	2,902,982	2,902,982	0	0

The accompanying notes are an integral part of this Statement.

NOTES TO THE FINANCIAL STATEMENTS

WHATCOM COUNTY FIRE PROTECTION DISTRICT #21

December 31, 2013

MCAG NO. 2902

NOTE 1 - Summary of Significant Accounting Policies

The District reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Effective December 7, 2006, the voters of Whatcom County Fire Protection District numbers 3 and 13 approved the merger of District 3 into District 13. Combined, the district changed its name to Whatcom County Fire Protection District #21. On July 1, 2011 North Whatcom Fire and Rescue entered into an inter-local agreement with Whatcom County Fire District #4 creating a functional consolidation. Together the service area covers one hundred eighty-two square miles serving an additional nine thousand one hundred-forty residents. The District uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

During fiscal year 2013, the district was governed by a Board consisting of 5 Commissioners. The District has 48 full-paid firefighters, 38 volunteer firefighters, and 11 support staff. North Whatcom Fire and Rescue entered into an inter-local agreement with Whatcom County Fire District #4 creating a functional consolidation. Together the service area covers one hundred eighty-two square miles serving an additional nine thousand one hundred-forty residents. The governance and operations of the District are supported primarily through property taxes. The District has operating expenditure totaling \$6,659,031.

The governance and operations of the fire district is supported primarily through property taxes. The Fire District functions under Chapter 52 of the Revised Code of Washington, and other laws of the State of Washington that are applicable to fire districts.

A. Fund Accounting:

The accounts of Whatcom County Fire Protection District #21 are organized on the basis of funds, each of which is considered a separate entity. Each fund is accounted for with a set of single-entry accounts that comprises its cash, investments, revenues and expenditures as appropriate. The Fire District's resources are allocated to and accounted for in these individual funds depending on their intended purpose. The following are the fund types used by the Fire District:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund:

This fund is the primary operating fund of the Fire District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds:

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Fund:

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

B. Basis of Accounting:

Basis for accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid. Including those properly chargeable against the report year(s) budget appropriations as required by state law.

The Fire District maintains separate accounting for revenues acquired in each fund. All funds have a revenue section separate from a designated expenditure section. Funds held in the General Expense Fund are normally used for regular operating expenditures. To facilitate financial operations and tax collection distribution, tax revenues are collected and distributed to the General Expense Fund. Those revenues are then distributed to the specific funds as designated by the Board of Fire Commissioners, through the annual budgeting and a “transfer of funds” process.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The General Obligation Bond Fund is normally funded directly by tax revenues. The Board of Fire Commissioners will require that sufficient tax revenue is dedicated to this fund to ensure all known debt is funded to make the appropriate scheduled payments.

C. Budgets

The Fire District adopts an annual appropriated budget for **General, Long Term Debt Service and Capital funds**. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund			
<i>Administrative Division</i>	637,694	631,562	6,133
<i>Operations Division</i>	5,358,203	5,142,234	215,969
<i>Fire Prevention/Pub Ed</i>	6,800	1,684	5,116
<i>Training Division</i>	220,405	175,914	44,491
<i>Fleet Maintenance Division</i>	401,629	388,570	13,059
<i>Facilities Division</i>	349,870	319,455	30,415
Total General Fund	\$6,974,601	\$6,659,419	\$315,183
Capital Fund	\$168,339	\$166,292	\$2,047
Long-Term Debt	\$432,309.00	\$432,912.00	(\$604.00)

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments): however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Fire District's legislative body.

D. Cash:

It is the policy of the Fire District to invest all temporary cash surplus. The invested amounts are included on the Statement of Resources and Uses Arising from Cash Transactions as net cash and investments.

E. Deposits:

The Fire District's deposits and Certificates of Deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2 Investments

G. Capital Assets:

Capital assets are identified as those items or projects that have an extended life span and cost more than one-thousand dollars. All such purchases are recorded as capital expenditures when purchased and are kept separate from normal operational expenditures.

H. Compensated Absences:

Fire District policies regarding compensated absences include the compensation of sick and vacation time for Chief Executive Officers only. The Fire District is responsible for a percentage of the “compensated absences” based on the overall annual established percentage as defined below.

Chief Executive Officers:

Chief Executive Officers of the fire district are provided sick leave which accrues at the rate of sixteen hours per month. Sick leave can be accrued to a maximum of seven hundred and twenty hours. Executive staff officers upon retirement or resignation, and with advance notice provided, are eligible to receive one-third of their accumulated sick leave at time of resignation at the then Washington State Auditor’s Office appropriate rate of pay. Currently there are three Chief Executive Officers with a combined total of accumulated sick leave of 1581 hours. The estimated cost of paying out 33 1/3% of the total accumulated sick leave is \$24,299.

Chief Executive Officers accumulate vacation at a rate dependent on length of service. Currently each Chief Executive Officer is eligible for twenty days of vacation annually with up to one-half of the accrued annual vacation eligible to be carried over to the next year. The three Chief Executive Officers combined have 180 hours of accumulated vacation. The estimated cost of paying the total accumulated vacation is \$8,444.

Administrative staff and represented employees accumulate vacation based on current working agreement and length of service and must be used within the year it is accumulated. The estimated total vacation time accrued for both the administrative staff and the represented employees equals 530 hours. The estimated cost of paying the total accumulated vacation is \$14,716.

I. Long-Term Debt See Note 4

NOTE 2 - Investments:

Whatcom County Fire Protection District #21 investments are held by the Whatcom County Treasurer acting as the agent in the District's name. Investments by type as of December 31, 2013 are as listed herein:

Investment Balance

General Fund (WCIP)*	\$ 2,652,099
GO Bond Fund (WCIP)	\$ 218,709
Reserve Fund (WCIP)	\$ 288,503
Healthcare Reserve Fund (WCIP)	\$ 239,186
Capital Projects Fund (WCIP)	\$ 1,534,385
Volunteer Fund (WCIP)	\$ 45,073
Mitigation Fund	\$ 16,836
Total	<u>\$ 4,994,791</u>

* WCIP means Whatcom County Investment Pool

NOTE 3 - Property Taxes:

The Whatcom County Treasurer serves as the fiscal agent for the fire district and collects property taxes levied on all non-exempt properties lying within the boundaries of the fire district. The Whatcom County Treasurer serves in this capacity for all taxing authorities within the county. Collections are distributed at the end of each month with the fire district receiving accounting reports of monthly tax collections within fifteen days of the end of the monthly accounting period.

Property tax revenues are recognized when the proceeds from such collections are reported to and received by Whatcom County Fire Protection District #21. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Whatcom County Fire Protection District #21 regular levy for the year 2013 for collection in 2013 was \$1.44566 per \$1,000 on an assessed valuation of \$3,562,281,339 for a total levy of \$5,149,856.99.

The Whatcom County Fire Protection District #21 Bond regular levy for the year 2013 for collection in 2013 was \$.05433 per \$1,000 on an assessed valuation of \$3,588,690,003 for a total levy of \$195,000.00.

NOTE 4 - Long Term Debt

As of December 31, 2013, the two outstanding LTGO Bonds have a balance, including interest, owing of \$685,655. Each year interest on the two bonds is paid in June and December and the principal is paid in December.

	General Obligation <u>Other Bonds</u>	<u>Debt Total</u>
2014	\$ 187,215	\$ 187,215
2015	\$ 184,035	\$ 184,035
2016	\$ 190,465	\$ 190,465
2017	\$ 36,005	\$ 36,005
2018	\$ 34,385	\$ 34,385
2019 to 2020	<u>\$ 53,575</u>	<u>\$ 53,575</u>
Total	\$ 685,680	\$ 685,680

During 2009 the District was approved for financing from the Washington Treasury Department for 10 years in the amount of \$2,059,186.00 to be used for the purchase of three engines and one ladder truck. The payments for this financing did not begin until June 2010, and the district did not begin drawing down any funds for this loan until January 2010. As a result this loan is not included on the 2009 Schedule of long term debt.

Lease Payment:

2014	\$ 241,322.77
2015	\$ 245,368.96
2016	\$ 240,943.95
2017	\$ 241,275.21
2018	\$ 240,700.20
2019	\$ 239,587.69
Total	<u>\$1,449,198.78</u>

NOTE 5 - Pension Plans:

Substantially, all of Whatcom County Fire Protection District #21 full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) or Law Enforcement and Firefighters Retirement System (LEOFF II) retirement plans as mandated by state statute. These retirement plans are administered by the Washington State Department of Retirement Systems, under cost sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Fire District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the State Department of Retirements Systems annual financial report. A copy of this report may be obtained at:
Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Note 6 – Compliance and Accountability:

There have been no material violations of finance related legal or contractual provisions.

Note 7 - Other Disclosures:

Whatcom County Fire Protection District #21 is involved in litigation with a volunteer firefighter who was injured during a training event. This litigation has been “on hold” pending legal review of the ability for a volunteer firefighter to be able to sue his/her employer because of an “on-the-job injury”. The Washington Supreme Court ruled that volunteer firefighters can sue their employer because they do not fall under the protection of the Labor and Industries statutes. This lawsuit remains in litigation since 2001 between the claimant and the District’s insurance carrier.

Labor Negotiation:

Whatcom County Fire Protection District #21 full paid emergency response employees are represented by the International Association of Firefighters, Local 106NW. As such, this classification of employee works under an approved three year labor agreement. The fire district successfully completed labor contract negotiations in 2013.

This Agreement was in effect from January 1, 2014 and shall continue in full force and effect through and including December 31, 2016. This Agreement may not be modified except by the mutual written consent of the District and the Union.

The Union and the District agreed to open up Article 20 Sick Leave subsection 20.8 Medical Expense Reimbursement Plan and Article 23 Wages within twelve (12) months of the signing of this agreement.

Federal Grant Funds Awarded:

In the 2010 Budget year, Whatcom County Fire Protection District #21 participated in a federal grant process titled Assistance to firefighters Grant. The \$244,533. Grant (EMW-2009-FR-00100) was a regional grant where Whatcom County Fire Protection District #21 was the primary recipient with Whatcom County Fire Protections Districts 7 and 8 being additional recipients. The approved Federal share was 80% (\$195,627) and Fire District’s share of the cost was 20% (\$48,906). The purpose of the grant was to provide more reliable communications between the responding units and the dispatch center. The grant funds were used to purchase Mobile Data Computers (MDC’s) that were installed in all first response apparatus. Whatcom County Fire Protection District #21 is responsible for administering this grant and is responsible for the accountability of the MDC units. In 2013 the grant has been completed and “closed out” with the federal government.

In the 2011 Budget year, Whatcom County Fire Protection District #21 participated in a federal grant process titled Assistance to firefighters Grant. North Whatcom Fire and Rescue was awarded a \$604,233.00 grant (EMW-2010-FH-00076) for Staffing for Adequate Fire and Emergency Response (SAFER), from the Federal Government. The SAFER Grant was created to provide funding directly to fire departments to help them expand the number of trained, career firefighters available in their communities to respond to fire, fire related hazards, and EMS calls.

Funding from the grant was used to hire six additional career firefighters. The grant will pay one hundred percent of the four firefighters' wages and benefits for two years (performance period from June 5th 2011 to October 4th 2013) with the recognition that North Whatcom Fire and Rescue will be required to pay all costs during the third year. The grant has been closed out in 2014.

In the 2012 Budget year, Whatcom County Fire Protection District #21 participated in the FEMA 2012 FARS federal grant process titled Interoperable Emergency Communications grant. The district received approval of their portion of the grant request (IECGP – 2009-IP-T9-0034) in the amount of \$1,295 resulting in the communication equipment reprogramming to meet the FCC Narrow Banding regulation by year 2013.

NOTES TO THE FINANCIAL STATEMENTS

WHATCOM COUNTY FIRE PROTECTION DISTRICT #21

December 31, 2012

MCAG NO. 2902

NOTE 1 - Summary of Significant Accounting Policies

Effective December 7, 2006, the voters of Whatcom County Fire Protection District numbers 3 and 13 approved the merger of District 3 into District 13. Combined, the district changed its name to Whatcom County Fire Protection District #21.

The District is governed by a Board consisting of five Commissioners. The District has 48 full-paid firefighters, 29 part paid firefighters, 25 volunteer firefighters, and 11 support staff. In July 2011 North Whatcom Fire and Rescue entered into an inter-local agreement with Whatcom County Fire District #4 creating a functional consolidation. Together the service area covers one hundred eighty-two square miles serving an additional nine thousand one hundred-forty residents. The governance and operations of the District are supported primarily through property taxes. The District has operating expenditure totaling of \$6,924,300.

The Fire District functions under Chapter 52 of the Revised Code of Washington, and other laws of the State of Washington that are applicable to fire districts.

A. Fund Accounting:

The accounts of Whatcom County Fire Protection District #21 are organized on the basis of funds. Each fund is accounted for with a set of single-entry accounts that comprises its cash, investments, revenues and expenditures as appropriate. The Fire District's resources are allocated to and accounted for in these individual funds depending on their intended purpose. The following are the fund types used by the Fire District:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund:

This fund is the primary operating fund of the Fire District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds:

These funds account for accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Fund:

These funds account for financial resources that are used for the construction and/or acquisition of general government capital projects.

B. **Basis of Accounting:**

The accounting records of the Fire District are maintained in accordance with methods prescribed by the State Auditor and the State of Washington under the authority of Chapter 43.09 of the Revised Code of Washington. The Fire District uses “*The Budgeting, Accounting, and Reporting System for Fire Districts in the State of Washington*”. The Fire District uses “Other Comprehensive Basis of Accounting”. (OCBOA)

The basis for accounting for the Fire District refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid.

The Fire District maintains separate accounting for revenues acquired in each fund. All funds have a revenue section separate from a designated expenditure section. Funds held in the General Expense Fund are normally used for regular operating expenditures. To facilitate financial operations and tax collection distribution, tax revenues are collected and distributed to the General Expense Fund. Those revenues are then distributed to the specific funds as designated by the Board of Fire Commissioners, through the annual budgeting and a “transfer of funds” process.

Capital purchases or projects are expensed through the Capital Projects Fund. Normally capital projects or purchases are identified as those items or projects that have an extended life span of more than one year, and cost more than one-thousand dollars. There is no capitalization of capital assets, nor allocation of depreciation – expense. Inventory is expensed when purchased.

The General Obligation Bond Fund is normally funded directly by tax revenues. The Board of Fire Commissioners will require that sufficient tax revenue is dedicated to this fund to ensure all known debt is funded to make the appropriate scheduled payments.

C. **Cash:**

It is the policy of the Fire District to invest all temporary cash surplus. The invested amounts are included on the Statement of Resources and Uses Arising from Cash Transactions as net cash and investments.

D. **Deposits:**

The Fire District’s deposits and Certificates of Deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

E. **Capital Assets:**

Capital assets are identified as those items or projects that have an extended life span and cost more than one-thousand dollars. All such purchases are recorded as capital expenditures when purchased and are kept separate from normal operational expenditures.

F. **Compensated Absences:**

Fire District policies regarding compensated absences include the compensation of sick and vacation time for Chief Executive Officers only. The Fire District is responsible for a percentage of the “compensated absences” based on the overall annual established percentage as defined below.

Chief Executive Officers:

Chief Executive Officers of the fire district are provided sick leave which accrues at the rate of sixteen hours per month. Sick leave can be accrued to a maximum of seven hundred and twenty hours. Executive staff officers upon retirement or resignation, and with advance notice provided, are eligible to receive one-third of their accumulated sick leave at time of resignation at the then appropriate rate of pay. Currently there are four Chief Executive Officers with a combined total of accumulated sick leave of 1927 hours. The estimated cost of paying out one-third of the total accumulated sick leave is \$28,740.00.

Chief Executive Officers accumulate vacation at a rate dependent on length of service. Currently each Chief Executive Officer is eligible for twenty days of vacation annually with up to one-half of the accrued annual vacation eligible to be carried over to the next year. The four Chief Executive Officers combined have 341 hours of accumulated vacation. The estimated cost of paying the total accumulated vacation is \$15,934.70.

Administrative staff and represented employees accumulate vacation based on current working agreement and length of service and must be used within the year it is accumulated. The estimated total vacation time accrued for both the administrative staff and the represented employees equals 625 hours. The estimated cost of paying the total accumulated vacation is \$15,448.58.

NOTE 2 - Compliance and Accountability:

There have been no material violations of finance related legal or contractual provisions.

NOTE 3 - Property Taxes:

The Whatcom County Treasurer serves as the fiscal agent for the fire district and collects property taxes levied on all non-exempt properties lying within the boundaries of the fire district. The Whatcom County Treasurer serves in this capacity for all taxing authorities within the county. Collections are distributed at the end of each month with the fire district receiving accounting reports of monthly tax collections within fifteen days of the end of the monthly accounting period.

Property tax revenues are recognized when the proceeds from such collections are reported to and received by Whatcom County Fire Protection District #21. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Whatcom County Fire Protection District #21 regular levy for the year 2012 for collection in 2012 was \$1.44631 per \$1,000 on an assessed valuation of \$3,612,366,885 for a total levy of \$5,224,618.66.

The Whatcom County Fire Protection District #21 Bond regular levy for the year 2012 for collection in 2012 was \$.05368 per \$1,000 on an assessed valuation of \$3,632,266,781 for a total levy of \$195,000.

NOTE 4 - Investments:

Whatcom County Fire Protection District #21 investments are held by the Whatcom County Treasurer acting as the agent in the District's name. Investments by type as of December 31, 2012 are as listed herein:

<u>Investment</u>	<u>Balance</u>
General Fund (WCIP)*	\$ 2,273,260
GO Bond Fund (WCIP)	\$ 452,513
Reserve Fund (WCIP)	\$ 287,093
Healthcare Reserve Fund (WCIP)	\$ 237,854
Capital Projects Fund (WCIP)	\$ 1,394,461
Volunteer Fund (WCIP)	\$ 50,458
Mitigation Fund	<u>\$ 8,690</u>
Total	<u>\$ 4,704,329</u>

* WCIP means Whatcom County Investment Pool

NOTE 5 - Long Term Debt

As of December 31, 2012, the two outstanding LTGO Bonds have a balance, including interest, owing of \$875,655. Each year interest on the two bonds is paid in June and December and the principal is paid in December.

	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Total</u>
2013	\$ 189,975	\$ 0	\$ 189,975
2014	\$ 187,215	\$ 0	\$ 187,215
2015	\$ 184,035	\$ 0	\$ 184,035
2016	\$ 190,465	\$ 0	\$ 190,465
2017	\$ 36,005	\$ 0	\$ 36,005
2018 to 2020	\$ 87,960	\$ 0	\$ 87,960
Total	<u>\$ 875,655</u>	<u>\$ 0</u>	<u>\$ 875,655</u>

As of November 30, 2009, Whatcom County Fire Protection District #21 purchased three new fire engines and one ladder truck in the amount of \$2,059,186.00. Each year interest and the principal on the Lease is paid in June and December, beginning 2010.

Lease Payment

2013	\$242,334.43
2014	\$241,322.77
2015	\$245,368.96
2016	\$240,943.95
2017	\$241,275.21
2018 to 2019	<u>\$480,287.89</u>

Total	\$1,691,533.21
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NOTE 6 - Pension Plans:

Substantially, all of Whatcom County Fire Protection District #21 full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) or Law Enforcement and Firefighters Retirement System (LEOFF II) retirement plans as mandated by state statute. These retirement plans are administered by the Washington State Department of Retirement Systems, under cost sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Fire District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the State Department of Retirements Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Other Disclosures:

Whatcom County Fire Protection District #21 is involved in litigation with a volunteer firefighter who was injured during a training event. This litigation has been "on hold" pending legal review of the ability for a volunteer firefighter to be able to sue his/her employer because of an "on-the-job injury". The Washington Supreme Court ruled that volunteer firefighters can sue their employer because they do not fall under the protection of the Labor and Industries statutes. This lawsuit remains in litigation between the claimant and the District's insurance carrier.

Labor Negotiation:

Whatcom County Fire Protection District #21 full paid emergency response employees are represented by the International Association of Firefighters, Local 106NW. As such, this classification of employee works under an approved three year labor agreement. The fire district successfully completed labor contract negotiations in 2010 with a new working agreement becoming effective January 1, 2011 and extending through December 31, 2013.

Federal Grant Funds Awarded:

In the 2006 Budget year, Whatcom County Fire Protection District #13 (now Whatcom County Fire Protection District #21) participated in a federal grant process, titled Staffing for Adequate Fire and Emergency Response (SAFER). The district received approval of their grant request resulting in the hiring of additional full paid firefighters. The \$414,000.00 grant (EMW-2006-FF-04408) was awarded to Whatcom County Fire District 13 in March of 2007. The grant funds became available between Feb 3, 2007 through Feb 2, 2012. Grant payments are made on a reimbursable basis only, with claims for reimbursement being submitted to the federal government on a quarterly basis. This grant was closed out 12-14-2012.

In the 2010 Budget year, Whatcom County Fire Protection District #21 participated in a federal grant process titled Assistance to firefighters Grant. The \$244,533. Grant (EMW-2009-FR-00100) was a regional grant where Whatcom County Fire Protection District #21 was the primary recipient with Whatcom County Fire Protections Districts 7 and 8 being additional recipients. The approved Federal share was 80% (\$195,627) and Fire District's share of the cost was 20% (\$48,906). The purpose of the grant was to provide more reliable communications between the responding units and the dispatch center. The grant funds were used to purchase Mobile Data Computers (MDC's) that were installed in all first response apparatus. Whatcom County Fire Protection District #21 is responsible for administering this grant and is responsible for the accountability of the MDC units. In 2013 the grant has been completed and "closed out" with the federal government.

In the 2011 Budget year, Whatcom County Fire Protection District #21 participated in a federal grant process titled Assistance to firefighters Grant. North Whatcom Fire and Rescue has been awarded a \$604,233.00 grant (EMW-2010-FH-00076) for Staffing for Adequate Fire and Emergency Response (SAFER), from the Federal Government. The SAFER Grant was created to provide funding directly to fire departments to help them expand the number of trained, career firefighters available in their communities to respond to fire, fire related hazards, and EMS calls.

Funding from the grant was used to hire six additional career firefighters. The grant will pay one hundred percent of the four firefighters' wages and benefits for two years (performance period from June 5th 2011 to June 4th 2013) with the recognition that North Whatcom Fire and Rescue will be required to pay all costs during the third year.

In the 2012 Budget year, Whatcom County Fire Protection District #21 participated in the FEMA 2012 FARS federal grant process titled Interoperable Emergency Communications grant. The district received approval of their portion of the grant request (IECGP – 2009-IP-T9-0034) in the amount of \$1,295 resulting in the communication equipment reprogramming to meet the FCC Narrow Banding regulation by year 2013.

During 2009 the District was approved for financing from the Washington Treasury Department for 10 years in the amount of \$2,059,186.00 to be used for the purchase of three engines and one ladder truck. The payments for this financing do not begin until June 2010, and the district did not begin drawing down any funds for this loan until January 2010. As a result this loan is not included on the 2009 Schedule of long term debt.

May 1 2012 Ron Anderson became the Chief of NWFR, replacing Thomas M Fields who retired December 31, 2011.

Whatcom County Fire Protections District No. 21

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	G.O. Bond	12/1/2020	510,000	0	95,000	415,000
	251.11	G.O. Bond	12/1/2016	240,000	0	55,000	185,000
	263.51	Capital Lease	11/20/2902	1,507,947	0	196,423	1,311,524
	259.11	Compensated Absences		60,123	431,805	444,469	47,459
Total General Obligations:				2,318,070	431,805	790,892	1,958,983
Total Liabilities:				2,318,070	431,805	790,892	1,958,983

Whatcom County Fire Protections District No. 21

Schedule of Liabilities
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	251.11	G.O. Bonds	12/1/2020	600,000		90,000	510,000
	251.11	G.O. Bonds	12/1/2016	295,000		55,000	240,000
	263.51	Lease #2902-1-1	12/1/2019	1,694,627	0	186,680	1,507,947
	259.11	Compensated Absences		70,829	355,181	365,887	60,123
Total General Obligations:				2,660,456	355,181	697,567	2,318,070
Total Liabilities:				2,660,456	355,181	697,567	2,318,070

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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